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Former CEOs Criticize Avon

By HANNAH KARP and JOANN S. LUBLIN



Getty Images

Departing CEO Andrea Jung will stay on as Avon's executive chairman.

[Avon Products Inc.](#) CEO [Andrea Jung](#) is having a hard time letting go, and two of her predecessors are voicing objections.

Two former CEOs of the door-to-door beauty company are upset that Ms. Jung, who last week said she would step down, will stay on for at least two years as executive chairman. They fear that her continued

presence would make it hard to attract a new leader.



WSJ's Joann Lublin has exclusive details of Avon CEO Andrea Jung's reluctance to step down and how it has drawn criticism from several of the company's past CEOs. Photo by Barry Brecheisen/Getty Images

Former Avon CEO James Preston, once one of Ms. Jung's closest mentors, took the unusual step of writing a letter to the board two days after the shake-up. He criticized Ms. Jung's leadership, stressed that departing CEOs should step aside and called on the board to replace her with someone with deep experience in the direct-selling world.

"I have long held the belief that once a CEO leaves that position, he or she should make a 'clean break' and not question or second-guess the actions of his successor," wrote Mr. Preston, who ran Avon from 1989 to 1998, in the letter, dated Dec. 15, that was reviewed by The Wall Street Journal. "I have held true to that

belief, even though in recent years I have become increasingly concerned—and saddened—by the declining fortunes of the company."

A representative of Ms. Jung said she declined to comment.

Fred Hassan, Avon's independent lead director, defended having Ms. Jung remain executive chairman for two years after the new CEO arrives. "Given the specific nature of the company and the specific nature of the board, we have very strong confidence that we can make this transition work," he said in an interview Wednesday.



Ms. Jung, who in 1999 became the first woman to lead Avon less than a year after Mr. Preston retired, often has cited the 78-year-old Mr. Preston as one of her most important mentors. In her office she famously keeps a plaque that Mr. Preston gave her depicting the "evolution of leadership" in four images: an ape's footprint, a human footprint, the imprint of a man's dress shoe and the mark of a woman's high heel.

Separately, David Mitchell, Avon's chief executive from 1975 to 1983 and a current shareholder, said in an interview he was particularly perturbed over Ms. Jung's desire to stay for so long. Mr. Mitchell remained on Avon's board for a short time after leaving his post in 1983. He said he has met Ms. Jung only a handful of times.

He called the split CEO-chairman structure "a stupid arrangement" that will make the board's search for a quality successor nearly impossible.

After he learned that the Journal saw his letter, Mr. Preston said he doesn't oppose Ms. Jung's decision to stay on as chairman. He said that he wasn't implying she should make a "clean break," even though he used that phrase in the letter to the board.

He said he isn't in a position to second-guess the actions of the board and has had nothing to do with the board for more than a decade, though in an email to a former executive last week he said "the board should have acted a long time ago."

Mr. Preston added that it may be important for her to stay on during the transition because of the lack of second-tier executives with direct-selling experience. However, if he were a candidate to succeed her, he would "want some very strong indication from the board" that he could make decisions "without having to seek Andrea's approval," he said in the interview.

He said he is "not unhappy" Ms. Jung was made CEO. "She has done some wonderful things for Avon."

Ms. Jung was lauded by investors for her management of Avon during the early part of her tenure but more recently she has come under fire for generating poor results. The board this month succumbed to the growing criticism after Avon reported a disastrous third-quarter earnings report, tossed out its sales targets as unreachable, and said it faces a pair of Securities and Exchange Commission inquiries. The company's stock is down about 40% this year.

Ms. Jung doesn't plan to cede much power.

"I am not going anywhere," Ms. Jung wrote in an internal memo, reviewed by The Wall Street Journal, last week to all U.S. employees and global managers. "I will remain very close to the business, defining the company's strategy and brand positioning."

As executive chairman, she will earn a \$1 million salary, a maximum annual bonus of \$1 million and long-term incentives valued at as much as \$4 million a year.

Ms. Jung, the longest-serving female CEO currently in the Fortune 500, also sits on the boards of [Apple Inc.](#) and [General Electric Co.](#)

Mr. Mitchell said Avon's "alumni network" has long worried Ms. Jung "hadn't had her nose to the grindstone" because of her director roles at Apple and GE. "Those assignments are not 10 minutes a week," he said.

When Avon announced the split structure on Dec. 13, the company also said a board committee would work with Ms. Jung on the CEO search. That Ms. Jung will play a key role in the search for her successor could further narrow the candidate pool, said another former executive who believes that Ms. Jung holds a conviction that her successor should be a woman. He characterized her objection to a non-female successor as "over my dead body."

Dee Soder, managing partner of CEO Perspective Group, an executive-advisory firm, warned that "being an active chairman (and virtual CEO) will discourage qualified candidates."

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Ms. Jung will help the board's search committee, but lack power to veto its recommended CEO pick, according to Mr. Hassan, who heads that panel. "She has a lot to teach us," he said. But "the board will be deciding on the CEO." He predicted the board

"will get very good candidates from all over," and won't limit its search to female candidates.

While direct-selling experience is a plus, Mr. Hassan said only considering direct-selling veterans "probably would narrow the field too much."

Avon has chosen recruiters Spencer Stuart to handle its CEO hunt, according to people familiar with the situation. Spencer Stuart declined to comment.

The board may have decided to retain Ms. Jung as executive chairman in part to facilitate Avon's defense against lawsuits or government probes, according to the former executive.

The SEC is formally investigating whether Avon or its representatives bribed officials overseas, and whether the company may have improperly disclosed market-sensitive information to financial analysts in the past two years. Avon says it is cooperating.

Avon sales representatives have mixed feelings about Ms. Jung's departure.

Billy Kolber, an Avon sales rep in New York, said that while Ms. Jung was "a great figurehead," he has been disappointed with how long it has taken Avon to "embrace electronic tools that fuel the sales of Avon through social networks."

"I don't know where the decision lies that you don't invest in the technology to make that happen sooner—Andrea's on the board of Apple, so she should know," said Mr. Kolber, adding that as a shareholder he also holds the board responsible for the company's troubles in recent years. "I feel like the company needs new blood."

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